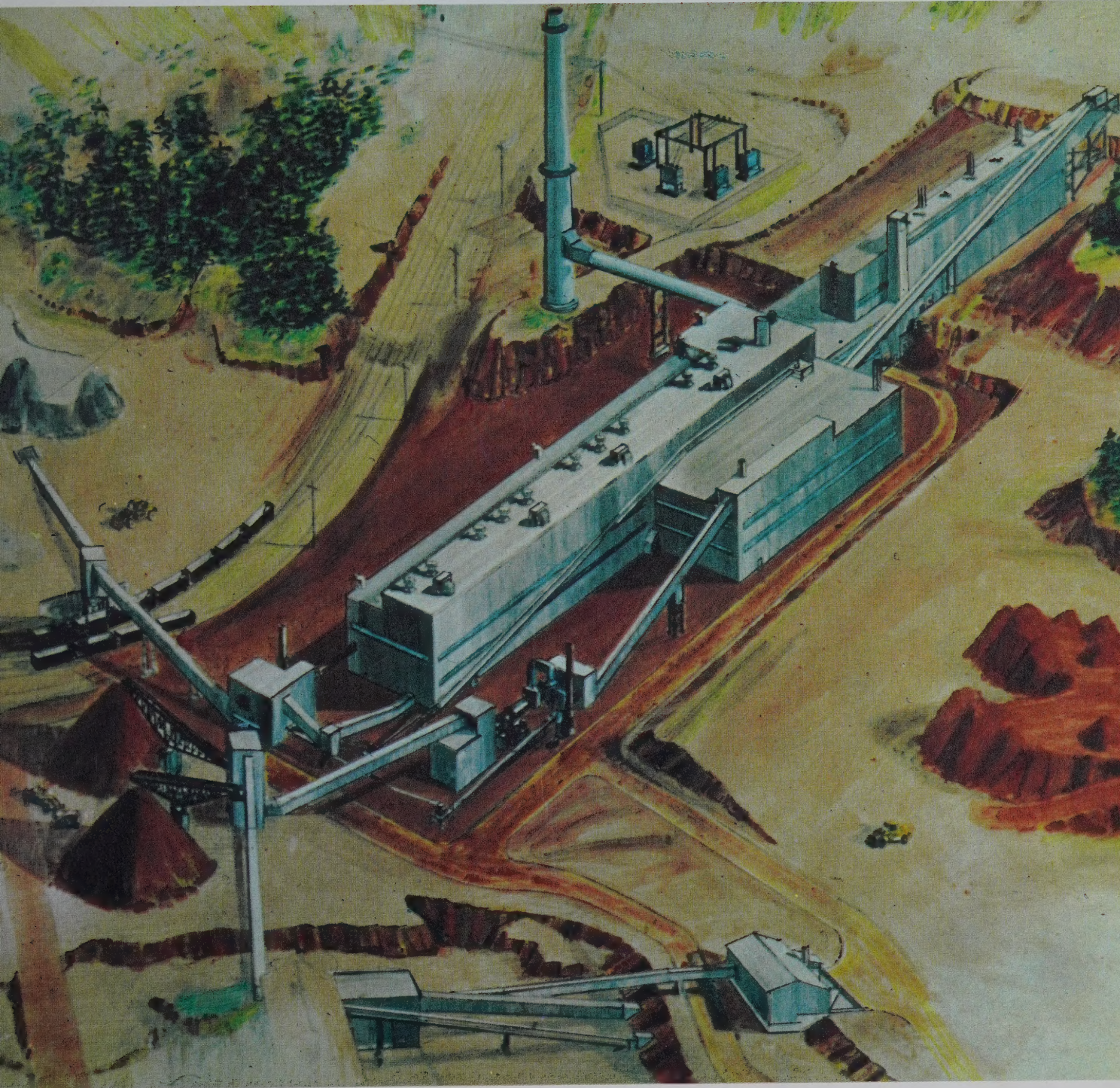


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# STEEP ROCK IRON MINES LIMITED / ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1966







## ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1966

### ANNUAL MEETING

The Annual General Meeting of the Shareholders of Steep Rock Iron Mines Limited will be held at the Head Office of the Company at Steep Rock Lake, Ontario, on the 3rd day of March, 1967, at the hour of 10:00 o'clock in the forenoon.



COVER: ENGINEERING DRAWING OF  
THE NEW PELLET PLANT



## 10 YEARS IN REVIEW

[illegible]



# STEEP ROCK IRON MINES LIMITED

## BOARD OF DIRECTORS

|                                 |                          |
|---------------------------------|--------------------------|
| G. E. ALLEN                     | Washington, D.C.         |
| HON. W. M. BENIDICKSON, P.C.    | Ottawa, Ontario          |
| F. H. BLACK, O.B.E., F.C.A.     | Port Arthur, Ontario     |
| HON. C. J. BURCHELL, P.C., Q.C. | Halifax, Nova Scotia     |
| JULIAN G. CROSS                 | Port Arthur, Ontario     |
| WM. R. DALEY                    | Cleveland, Ohio          |
| CYRUS S. EATON                  | Cleveland, Ohio          |
| NEIL EDMONSTONE, F.C.I.S.       | Steep Rock Lake, Ontario |
| M. S. FOTHERINGHAM, P.Eng.      | Steep Rock Lake, Ontario |
| MARK McKEE                      | Oxford, Connecticut      |
| JOHN PATERSON                   | Fort William, Ontario    |

## OFFICERS

|                    |  |
|--------------------|--|
| CYRUS S. EATON     | Chairman of the Board                  |
| M. S. FOTHERINGHAM | President and General Manager          |
| NEIL EDMONSTONE    | Vice-President and Secretary-Treasurer |
| W. J. HUSTON       | Vice-President, Operations             |
| P. E. CAVANAGH     | Vice-President, Research and Sales     |

## GENERAL COUNSEL

|                        |                  |
|------------------------|------------------|
| GORDON D. WATSON, Q.C. | Toronto, Ontario |
|------------------------|------------------|

## AUDITORS

|                       |                  |
|-----------------------|------------------|
| GUNN, ROBERTS AND CO. | Toronto, Ontario |
|-----------------------|------------------|

## TRANSFER AGENTS

|                                    |                  |
|------------------------------------|------------------|
| CROWN TRUST COMPANY                | Toronto, Ontario |
| and                                |                  |
| CENTRAL NATIONAL BANK OF CLEVELAND | Cleveland, Ohio  |

## CONSULTING GEOLOGISTS

|                       |                      |
|-----------------------|----------------------|
| A. W. JOLLIFFE, Ph.D. | Kingston, Ontario    |
| M. W. BARTLEY, Ph.D.  | Port Arthur, Ontario |

## CONSULTING ENGINEER

|                       |                  |
|-----------------------|------------------|
| WATKIN SAMUEL, P.Eng. | Toronto, Ontario |
|-----------------------|------------------|

## MINE AND EXECUTIVE OFFICES

|                          |
|--------------------------|
| ATIKOKAN P.O.            |
| STEEP ROCK LAKE, ONTARIO |



# STEEP ROCK IRON MINES LIMITED

## LETTER FROM THE PRESIDENT

### TO THE SHAREHOLDERS:

Production of iron ore on the Steep Rock Range totalled 3,319,453 tons in 1966. Shipments to The Algoma Steel Corporation Limited and sales to The Cleveland-Cliffs Iron Company accounted for 1,236,453 tons. Caland Ore Company, wholly owned subsidiary of Inland Steel Company of Chicago, paid royalties on the 2,083,000 tons mined from the leased "C" orezone.

Net earnings for the year equalled \$4,104,000 or 51c per share, compared with \$3,627,000 or 45c per share in 1965. There was an increase in operating earnings of \$1,000,000 over the previous year, but royalty revenue was reduced by a two months' strike at the Caland mine, so that net improvement in profits for the year was held down to \$477,000.

At mid-year a contract was signed with Detroit Steel Corporation to take 250,000 tons of Steep Rock pellets annually. The agreement covers a minimum period of ten years and continues indefinitely thereafter unless terminated by either party at any time on two years' notice. This commitment, together with the long term contract with Algoma will absorb the total output of 1,350,000 tons from the new pellet plant. Steep Rock's share of operating profits, which is based on the prevailing Lake Erie price for pellets, is determined on a favorable formula basis.

Construction of the new pellet plant is well advanced, with initial production of pellets expected by July of this year. Construction costs are being held within anticipated margins. Caland's experience in bringing its pellet plant into production has been readily available to Steep Rock. In addition the assistance and co-operation received from The Cleveland-Cliffs Iron Company, as well as from other pellet producers, have been of great value to your company on this project.

The financing arrangements for the pelletizing plant were completed by the sale of \$31,000,000 of Series A 6% Bonds due in 1987. The remaining balance of \$3,400,000 on the former bonds was retired out of the proceeds of the new bonds. Ample funds are in hand to complete the pelletizing project.

A dividend of 30c per share was paid on November 28, 1966, to shareholders of record November 11, 1966.

Working capital at year end was \$20,962,000, of which \$11,080,000 was earmarked for completion of the pelletizing plant. The balance of \$9,882,000 is available for regular corporate purposes. This compared with a balance of \$9,080,000 at December 31, 1965.

### RESEARCH

Your company has intensified research activities in other areas. Pilot plant experimentation with special high grade iron products indicates interesting possibilities for commercial scale operations. The first such product made was a high grade coarse ore with an analysis equivalent to that of Steep Rock pellets (64% iron). Next to be investigated will be a metallized ore with an iron content of approximately 75%. Negotiations for sales outlets for these new specialties are proceeding.

### EXPLORATION

Exploration activities continue in Northwestern Ontario and in British Columbia, in collaboration with Labrador Mining and Exploration Company through a jointly owned subsidiary, Vanco Explorations Limited.

## ORE RESERVES

The Steep Rock Range is amply endowed with ore reserves. The proven, probable and inferred reserves of the mines operated by your company, projected to the depth of the deepest drill hole, 1,700 feet below existing surface, are estimated to be 337,100,000 tons. This represents 259,300,000 tons of pellets.

On the property leased to Caland, a similar projection would add 190,400,000 tons to the proven reserves there and bring reserves on the Range to 527,500,000 tons equivalent to 405,800,000 tons of pellets.

In addition, there are 272,800,000 tons of lean ore, averaging 30% iron. This could augment the pellet potential by an estimated 82,000,000 tons.

Over and above these extensive tonnages, your company's Lake St. Joseph property, which is fully engineered, contains the largest known open pit reserves of iron ore in the Province of Ontario, with an estimated capability of providing up to 160,000,000 tons of pellets down to a depth of only 500 feet.

Since commencement of operations, Steep Rock and Caland have produced 43,300,000 tons of high grade iron ore. Of Steep Rock's direct production and sale of 31,000,000 tons, the open pits have supplied 28,900,000 tons and the underground operations 2,100,000 tons. Approximately 35,000,000 tons are still contained within Steep Rock's present open pit design. An additional 19,000,000 tons could be available for deep pit mining if future deep pit costs prove more favorable than underground costs. The remaining reserves will be recovered by underground mining methods.

Of further significance, the large scale underground experimental program, conducted over the past several years, has determined that the company's large reserves of underground ore can be recovered at attractive costs. This conclusion has been confirmed recently in a detailed report by an independent engineering firm.

## REVIEW AND OUTLOOK

Steel remained in strong demand in both Canada and the United States during 1966. The outlook for this year may be somewhat less vigorous, but the intermediate and long term trend is strongly upward.

While pressure on North American markets for direct shipping iron ore continues, this is not true with respect to pellets, which are in increasing demand.

Your company has now consolidated its position in the field of pellet production, and nearly 50% of 1967's output is expected to be in this profitable category. In 1968 long term contracts for production and shipment of 1,350,000 tons of pellets annually will be in force. Since maximum utilization of the ore as mined is accomplished by the pelletizing process, the margin of profit is substantially better for pellets than from direct shipping ores.

Caland is stepping up its operations to its objective of 2,300,000 tons annually, of which 1,000,000 tons will be pellets and 1,300,000 tons coarse ore.

Success in investigations and research in the field of special products could add further to the revenues of your company. Also, expansion in pellet production is a reasonable expectation to meet escalating Canadian and American requirements.

The support of shareholders and employees alike has continued to be an inspiration to your management.

BY ORDER OF THE BOARD

M. S. FOTHERINGHAM

PRESIDENT AND GENERAL MANAGER

JANUARY 24, 1967



## BALANCE SHEET DECEMBER 31, 1966

### ASSETS

#### CURRENT ASSETS

|   |              | 1965<br>for<br>Comparison |
|---|--------------|---------------------------|
| Cash .....  | \$ 3,024,702 | \$ 1,791,569              |
| Short term investments at cost which approximates<br>market value .....   | 5,645,701    | 4,958,274                 |
| Marketable securities at cost less \$400,000 allowance for decline<br>in market value (quoted market value 1966 — \$1,232,055;<br>1965 — \$1,826,000) ..... | 1,232,738    | 1,632,738                 |
| Accounts receivable .....   | 2,189,382    | 2,175,539                 |
| Claims pending and recoverable items .....  | 563,486      | 12,110                    |
| Supplies at average cost .....  | 357,121      | 345,131                   |
| Prepaid expenses .....  | 175,077      | 14,662                    |
|   | 13,188,207   | 10,930,023                |

#### CAPITAL FUNDS

|   |            |
|---|------------|
| Short term investments at cost which approximates<br>market value ..... | 10,000,000 |
| Receivable January 18, 1967 .....                                       | 1,080,000  |
|   | 11,080,000 |

#### FIXED ASSETS

|  |            |            |
|--|------------|------------|
| Buildings, machinery and equipment at less than cost ..... | 46,407,746 | 29,141,197 |
| Less accumulated depreciation .....                        | 22,295,331 | 20,168,487 |
|  | 24,112,415 | 8,972,710  |
| Mining properties (Notes 1, 9 and 12) .....                | 4,386,393  | 4,386,393  |
|  | 28,498,808 | 13,359,103 |

#### OTHER ASSETS

|   |           |           |
|---|-----------|-----------|
| Investment in town housing .....                            | 1,107,586 | 1,065,944 |
| Investment in subsidiary companies (Note 2) .....           | 190,254   | 278,973   |
| Shares in and advances to other companies at less than cost |           |           |
| Shares (unlisted) .....                                     | 331,488   | 331,488   |
| Advances .....  | 265,286   | 284,187   |
|   | 1,894,614 | 1,960,592 |

#### DEFERRED CHARGES

|  |               |              |
|--|---------------|--------------|
| Research expenditures (net) on ore processing (Note 13) .....                | 400,594       |              |
| Deferred development expenditures less amounts written off<br>(Note 8) ..... | 72,326,947    | 69,755,774   |
|  | 72,727,541    | 69,755,774   |
|  | \$127,389,170 | \$96,005,492 |



# STEEP ROCK IRON MINES LIMITED

INCORPORATED UNDER THE LAWS OF ONTARIO

## LIABILITIES

### CURRENT LIABILITIES

|  |                  | 1965<br>for<br>Comparison |
|--|------------------|---------------------------|
| Accounts payable and accrued liabilities ..... | \$ 3,140,836     | \$ 1,822,336              |
| Payable to subsidiary company .....            | 2,814            | 13,529                    |
| Accrued interest on bonds .....                | 162,469          | 13,699                    |
|  | <u>3,306,119</u> | <u>1,849,564</u>          |

|                                    |                   |                  |
|------------------------------------|-------------------|------------------|
| FUNDED DEBT (Notes 3 and 10) ..... | <u>33,350,704</u> | <u>3,332,000</u> |
|------------------------------------|-------------------|------------------|

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| ROYALTY LOAN (Notes 3 and 11) ..... | <u>5,713,994</u> | <u>6,507,012</u> |
|-------------------------------------|------------------|------------------|

### SHAREHOLDERS' EQUITY (Note 4)

|  |                   |                   |
|--|-------------------|-------------------|
| Preferred shares of \$100 each<br>Authorized — 10,000 shares |                   |                   |
| Common shares of \$1 each<br>Authorized — 10,666,666 shares  |                   |                   |
| Issued — 8,063,652 shares .....                              | 8,063,652         | 8,063,652         |
| Contributed surplus .....                                    | 3,674,675         | 3,674,675         |
| Retained earnings .....                                      | <u>73,280,026</u> | <u>72,578,589</u> |
|  | <u>85,018,353</u> | <u>84,316,916</u> |

Approved on behalf of the Board:  
M. S. FOTHERINGHAM, Director  
N. EDMONSTONE, Director

\$127,389,170      \$96,005,492



# STEEP ROCK IRON MINES LIMITED

OPEN PIT MINING  
EQUIPMENT



## STATEMENT OF EARNINGS

Year ended December 31, 1966

|   |                     | 1965<br>for<br>Comparison |
|---|---------------------|---------------------------|
| <b>INCOME</b>   |                     |                           |
| Sales (less transportation charges) and other operating revenue | \$10,283,074        | \$10,325,404              |
| Royalty and investment income .....                             | 4,053,361           | 4,490,771                 |
|   | <u>14,336,435</u>   | <u>14,816,175</u>         |
| <b>COSTS AND EXPENSES</b>                                       |                     |                           |
| Development .....   | 2,662,809           | 3,372,906                 |
| Mining .....  | 1,597,642           | 2,522,178                 |
| Crushing and conveying .....                                    | 872,379             | 605,163                   |
| Concentrating .....   | 1,169,637           | 1,149,839                 |
| Selling, administrative and corporate expenses .....            | 678,845             | 739,325                   |
| Interest on bonds and royalty loan .....                        | 448,112             | 511,422                   |
| Exchange loss on bonds and royalty loan payments .....          | 241,177             | 85,148                    |
| Depreciation (Note 8) .....                                     | 1,723,643           | 1,398,759                 |
| Deferred development expenditures written off (Note 8) .....    | 618,779             | 631,537                   |
| Outside exploration expenditures and write-offs .....           | 219,021             | 172,892                   |
|   | <u>10,232,044</u>   | <u>11,189,169</u>         |
| <b>NET EARNINGS</b> for the year (Notes 6, 7 and 12) .....      | <u>\$ 4,104,391</u> | <u>\$ 3,627,006</u>       |



# STATEMENT OF RETAINED EARNINGS

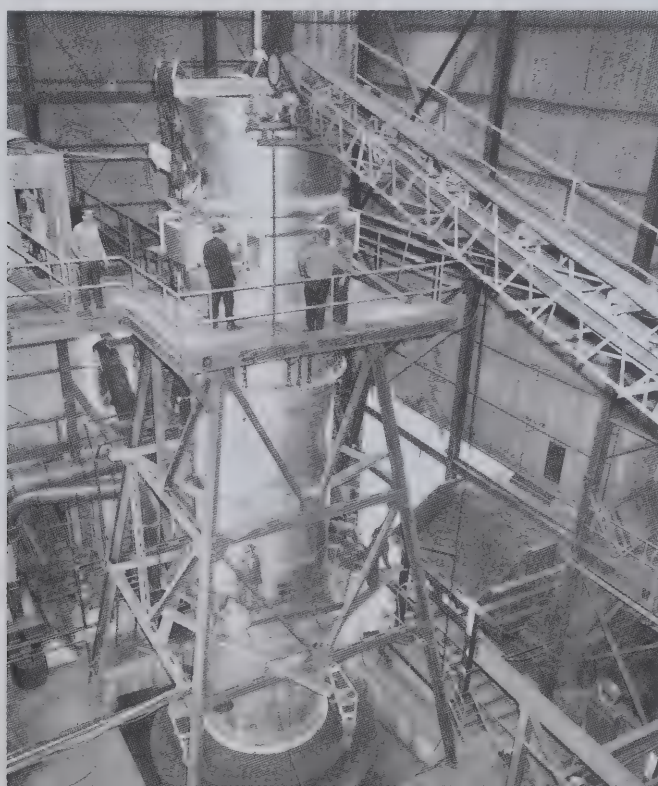
Year ended December 31, 1966

|   |                     | 1965<br>for<br>Comparison |
|---|---------------------|---------------------------|
| Balance January 1 .....   | \$72,578,589        | \$71,370,236              |
| Add net earnings for the year .....   | 4,104,391           | 3,627,006                 |
|   | <u>76,682,980</u>   | <u>74,997,242</u>         |
| Deduct:   |                     |                           |
| Dividend No. 5 — 30c per share .....  | 2,419,096           | 2,418,653                 |
| Financing costs .....   | 583,858             |                           |
| Appropriation for decline in market value of<br>marketable securities ..... | 400,000             |                           |
|   | <u>3,402,954</u>    | <u>2,418,653</u>          |
| Balance December 31 .....   | <u>\$73,280,026</u> | <u>\$72,578,589</u>       |

# STATEMENT OF CONTRIBUTED SURPLUS

Year ended December 31, 1966

|   |                     |                     |
|---|---------------------|---------------------|
| Balance January 1 .....   | \$ 3,674,675        | \$ 3,647,190        |
| Premium received on common shares issued<br>during the year ..... |                     | 27,485              |
| Balance December 31 .....   | <u>\$ 3,674,675</u> | <u>\$ 3,674,675</u> |



SPECIAL PRODUCTS  
PILOT PLANT



# STEEP ROCK IRON MINES LIMITED



ERRINGTON UNDERGROUND, OPEN PIT SHOP AREA AND ROBERTS OPEN PIT IN BACKGROUND

## STATEMENT OF DEFERRED DEVELOPMENT EXPENDITURES

Year ended December 31, 1966

|  |                     | 1965<br>for<br>Comparison |
|--|---------------------|---------------------------|
| Balance deferred at January 1 .....  | \$69,755,774        | \$69,113,012              |
| Overburden removal .....   | 5,002,741           | 4,126,737                 |
| Pumping, etc. ....   | 85,258              | 82,606                    |
| Structural drilling from underground .....   | 188,033             |                           |
| Depreciation (Note 8) .....  | 412,928             | 437,862                   |
| Total expenditures for the year .....  | 5,688,960           | 4,647,205                 |
|  | <u>75,444,734</u>   | <u>73,760,217</u>         |
| Deduct amounts written off to operations (Note 8):   |                     |                           |
| Development .....  | 2,499,008           | 3,372,906                 |
| Deferred development written off .....   | 618,779             | 631,537                   |
|  | <u>3,117,787</u>    | <u>4,004,443</u>          |
| Development expenditures prior to mines going into<br>production and \$3,434,811 (\$851,238 in 1965)<br>subsequent overburden removal costs deferred at<br>December 31 ..... | <u>\$72,326,947</u> | <u>\$69,755,774</u>       |



# STEEP ROCK IRON MINES LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

|  |                     | 1965<br>for<br>Comparison |
|--|---------------------|---------------------------|
| SOURCE OF FUNDS  |                     |                           |
| Net earnings as per statement of earnings .....                                | \$ 4,104,391        | \$3,627,006               |
| Add depreciation and amortization which did not<br>represent cash outlay ..... | 2,361,323           | 1,842,637                 |
| Funds from operations .....  | 6,465,714           | 5,469,643                 |
| Common shares issued .....   |                     | 32,265                    |
| Sale of fixed assets .....   | 84,853              | 184,718                   |
| Sale of bonds, net .....   | 29,434,846          |                           |
| Other items, net .....   | 47,077              | (251)                     |
|  | <u>36,032,490</u>   | <u>5,686,375</u>          |
| APPLICATION OF FUNDS   |                     |                           |
| Expenditures deferred in current year .....                                    | 3,590,546           | 1,274,299                 |
| Less depreciation which did not represent cash outlay .....                    | 425,418             | 437,862                   |
|  | <u>3,165,128</u>    | <u>836,437</u>            |
| Additions to fixed assets .....  | 17,373,619          | 2,354,753                 |
| Payment on royalty loan .....  | 793,018             | 938,563                   |
| Transferred to capital funds .....   | 11,080,000          |                           |
| Dividend .....   | 2,419,096           | 2,418,653                 |
| Allowance for decline in market value of marketable securities                 | 400,000             |                           |
| Increase or (decrease) in working capital .....                                | 801,629             | (862,031)                 |
|  | <u>36,032,490</u>   | <u>5,686,375</u>          |
| WORKING CAPITAL (current assets less current liabilities)                      |                     |                           |
| Balance January 1 .....  | 9,080,459           | 9,942,490                 |
| Increase or (decrease) during the year .....                                   | 801,629             | (862,031)                 |
| Balance December 31 .....  | 9,882,088           | 9,080,459                 |
| CAPITAL FUNDS .....  | <u>11,080,000</u>   |                           |
| TOTAL FUNDS December 31 .....  | <u>\$20,962,088</u> | <u>\$9,080,459</u>        |



# NOTES TO FINANCIAL STATEMENTS

## 1. MINING PROPERTIES

Mining properties are carried at \$4,386,393, comprising a purchase cost of \$2,459,456 and a valuation adjustment made in 1943 of \$1,926,937.

## 2. SUBSIDIARY COMPANIES NOT CONSOLIDATED

Investment in subsidiary companies, \$190,254, represents the company's investment in Steerola Explorations Limited, Sanjo Iron Mines Limited and Vanco Explorations Limited and comprises shares at cost, \$38, and advances \$190,216.

An investment in another subsidiary company, Don Park Homesites Limited (a limited dividend housing corporation) is included in the balance sheet heading "Investment in town housing" and is comprised of shares and debentures at cost, \$105,953, and advances \$524,552.

The accounts of these subsidiaries have not been consolidated because their operations are not of significant importance to the company's operations. The subsidiary companies have no retained earnings and no profit or loss in their 1966 fiscal periods. The unpaid interest on Don Park Homesites Limited debentures (all of which are held by the parent company) and on advances from the parent company, has not been taken into the earnings of the company.

## 3. BASIS OF CONVERSION OF ACCOUNTS CARRIED IN UNITED STATES DOLLARS

Funded debt and royalty loan have been converted at the rates of exchange prevailing on the dates the proceeds were received; investments in U.S. securities were converted at the rates of exchange prevailing at the date of purchase. Other accounts have been converted at the rates of exchange prevailing at December 31, 1966.

## 4. CAPITAL STOCK

The indenture securing the first mortgage sinking fund 6% bonds provides that the company may not effect any reduction of or redeem any of its capital stock nor declare any dividends on any shares of its capital stock should the working capital be less than, or be reduced thereby below, \$5,000,000.

## 5. CONTINGENT LIABILITIES

In addition to the sums advanced on a loan basis, the company has entered into various agreements including mortgage guarantees with respect to financing and operating employees' housing plans. The contingent liability involved in these arrangements at December 31, 1966 was approximately \$225,000.

The contingent liability in respect of contracts for equipment, outstanding agreements, etc., at December 31, 1966 amounts to approximately \$11,234,000, including contracts pertaining to the new pelletizing plant.

## 6. REMUNERATION OF DIRECTORS

The remuneration of directors, as such, in 1966 was \$1,700 (\$2,000 in 1965).

## 7. INCOME TAXES

Under the provisions of the income tax acts the company claims development expenditures and depreciation in excess of the amounts charged to earnings, and so no income taxes are payable for 1966. The taxes so deferred in this and prior years, calculated at the rates applicable in the respective years, amount to \$14,484,300 of which \$1,701,200 is applicable to 1966 (\$1,406,600 in 1965). These tax savings may be offset in future years when the amounts of development expenditures and depreciation which may be claimed for tax purposes will be less than the amounts then charged to earnings.

## 8. DEPRECIATION AND AMORTIZATION

Depreciation is calculated in respect of some assets on a straight-line basis at annual rates ranging from 5% to 33⅓%, and in respect of other assets on a unit-of-production basis. These rates are designed to provide fully for the cost of buildings, machinery and equipment over their useful lives. As in prior years, the proportion applicable to the non-producing mine has been charged to deferred development expenditures.

Deferred overburden removal (stripping) costs are charged to development in the statement of earnings on the basis of tons of ore mined. Deferred development expenditures are amortized on the basis of tons of ore shipped in relation to the estimated ore reserves of presently developed mines. The bases of amortization are subject to the economic recovery and sale of ore in sufficient quantity to fully amortize the deferred expenditures.

## 9. JOINT VENTURE

The company signed a joint venture agreement in 1965 covering a minimum period of 22 years, under which the joint venture partner acquired title to certain of the company's open pit reserves.

The ore will be mined and pelletized by Steep Rock Iron Mines Limited who financed and are constructing the pelletizing plant and acquiring the necessary mining equipment.

The joint venture partner also acquired a substantial interest in the Lake St. Joseph property owned by the company's wholly owned subsidiary, Steerola Explorations Limited.

10. FUNDED DEBT

First mortgage sinking fund 6% bonds \$33,350,704 (\$31,000,000 U.S.) mature December 1, 1987. Sinking fund payments of increasing annual amounts commence in the amount of \$842,000 U.S. on December 1, 1968.

Commencing December 1, 1968 and continuing to the date of maturity, the blended payments of principal and interest are approximately \$2,702,721 U.S. annually for 20 years.

11. ROYALTY LOAN

The principal and interest at 3¾% are payable only by application of a portion of the royalties received from the lessee of "C" ore zone. The principal outstanding at December 31, 1966 is \$5,802,551 U.S.

12. UNITED STATES SECURITIES AND EXCHANGE COMMISSION FILING

Statements filed with the above Commission are required to contain provisions for the depletion of mining properties and deferred income tax. In accordance with the company's accounting practice in Canada, no provision for depletion is entered in its books of account and deferred income tax is reported by way of a note to the financial statements (see note 7).

The amounts so charged in the statements to be filed with the United States Securities and Exchange Commission in respect of 1966 for depletion is \$37,127 (total to date \$1,463,537) and for deferred income tax is \$1,701,200 (total to date \$14,848,300).

13. DEFERRED RESEARCH EXPENDITURES

These represent experimental capital and operating expenditures on ore processing methods for special products, after deducting the proceeds of trial shipments of the product and the anticipated Scientific Research Grant (carried under the heading "Claims pending and recoverable items"). The ultimate treatment of these deferred expenditures will be determined on completion of the research activities.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Steep Rock Iron Mines Limited as at December 31, 1966 and the statements of earnings, retained earnings, contributed surplus and deferred development expenditures for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the bases of amortization set out in Note 8, the accompanying balance sheet and statements of earnings, retained earnings, contributed surplus and deferred development expenditures present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the accompanying statement of source and application of funds for the year ended December 31, 1966. In our opinion the statement presents fairly the sources and applications of funds for the year.

TORONTO, CANADA  
JANUARY 18, 1967

GUNN, ROBERTS AND CO.  
CHARTERED ACCOUNTANTS



# STEEP ROCK IRON MINES LIMITED

## 10 YEARS IN REVIEW

|   | 1966                   | 1965   | 1964   | 1963   | 1962   | 1961   | 1960   | 1959   | 1958  | 1957   |
|---|------------------------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
|   | (Thousands of Dollars) |        |        |        |        |        |        |        |       |        |
| Income                                    |                        |        |        |        |        |        |        |        |       |        |
| ▶ Sales and operating revenue — net ..... | \$10,283               | 10,325 | 10,519 | 8,520  | 7,733  | 9,684  | 12,004 | 19,495 | 8,510 | 16,621 |
| Royalty and other income .....            | 4,053                  | 4,491  | 3,883  | 3,798  | 3,995  | 2,144  | 2,002  | 301    | 57    | 734    |
|   | 14,336                 | 14,816 | 14,402 | 12,318 | 11,728 | 11,828 | 14,006 | 19,796 | 8,567 | 17,355 |
| Operating expense .....                   | 6,981                  | 8,390  | 6,711  | 5,532  | 6,069  | 5,870  | 7,200  | 7,393  | 5,004 | 6,387  |
|   | 7,355                  | 6,426  | 7,691  | 6,786  | 5,659  | 5,958  | 6,806  | 12,403 | 3,563 | 10,968 |
| Interest, etc. ....                       | 448                    | 511    | 662    | 784    | 600    | 124    | 315    | 431    | 581   | 586    |
| ▶ Profit before write-offs .....          | 6,907                  | 5,915  | 7,029  | 6,002  | 5,059  | 5,834  | 6,491  | 11,972 | 2,982 | 10,382 |
| Write-offs .....                          | 2,343                  | 2,030  | 1,918  | 1,437  | 1,205  | 1,395  | 1,720  | 2,457  | 1,640 | 2,263  |
|   | 4,564                  | 3,885  | 5,111  | 4,565  | 3,854  | 4,439  | 4,771  | 9,515  | 1,342 | 8,119  |
| Outside exploration .....                 | 219                    | 173    | 128    | 197    | 195    | 361    | 535    | 132    | 108   | 141    |
| Other expenses .....                      | 241                    | 85     | 184    | 168    | 225    | 48     | 119    | (66)   | (48)  |        |
| Provincial taxes .....                    |                        |        |        |        |        |        | (41)   | 400    | (104) | 67     |
| ▶ Net earnings .....                      | 4,104                  | 3,627  | 4,799  | 4,200  | 3,434  | 4,030  | 4,158  | 9,049  | 1,386 | 7,911  |
| ▶ Earnings per share .....                | \$ 0.51                | 0.45   | 0.60   | 0.52   | 0.43   | 0.50   | 0.52   | 1.13   | 0.17  | 0.98   |
| ▶ Dividends per share .....               | \$ 0.30                | 0.30   | 0.25   | 0.20   | 0.20   |        |        |        |       |        |
| ▶ Iron Ore — Tons (000)                   |                        |        |        |        |        |        |        |        |       |        |
| Sales and shipments .....                 | 1,236                  | 1,264  | 1,241  | 1,033  | 963    | 1,214  | 1,586  | 2,746  | 1,156 | 2,349  |
| Royalty ore .....                         | 2,083                  | 2,446  | 2,001  | 2,003  | 2,003  | 1,009  | 765    |        |       |        |
| Total tons .....                          | 3,319                  | 3,710  | 3,242  | 3,036  | 2,966  | 2,223  | 2,351  | 2,746  | 1,156 | 2,349  |

### ▶ Highlights





CALAND PELLET PLANT AND OPEN PIT





